



Memorandum

TO: HONORABLE MAYOR AND
CITY COUNCIL

FROM: Stephen M. Haase

**SUBJECT: DEVELOPMENT FEE CHANGE
ON SINGLE-FAMILY HOUSE**

DATE: May 25, 2004

Approved /s/ Date

This MBA is offered in response to Vice Mayor Dando's request for an illustration of the impact of proposed development fee changes on a \$500,000 single-family home.

The cost comparison below is based on the following assumptions for a new single-family home, with an approximate market value of \$500,000.

- Built as part of a 50-lot subdivision with 3 home models
- 2,000 square feet
- 2-story
- 3 bedroom / 2.5 bathrooms
- 500 square foot garage
- PD Zoning, PD Permit, and Tentative Map required
- Approved plan set is submitted electronically (qualifying for lower record retention cost)

<u>Cost Component</u>	<u>Current Cost</u>	<u>Proposed 2004-05 Cost</u>	<u>% Change</u>
Entitlement Fees (Planning /Public Works)	\$636	\$666	4.7%
Construction Fees	\$5,247	\$5,173	(1.4)%
Total Development Fees	\$5,883	\$5,728	(2.6)%

The development fees for this example actually go down by \$155 due to the following factors:

- Though the proposed changes will increase Planning fee revenue by 7%, not all Planning fees are increased and Public Works fees are unchanged. This reduces the entitlement fee increase to 4.7% for this project.
- Though there is a significant increase in the Plan Check fee, it is only charged once for each model, and the decrease in permit fees is applied to each of the 50 units. The permit fee and record retention savings more than offset the Planning and plan check increases.

The new fee methodology for residential Building permits implemented in July 2003 has resulted in increased efficiency on the part of customers and City staff. Because customers no longer get an unlimited number of inspections for a flat fee and must pay for the inspections received, the practices of calling for inspections “just in case” the work is ready, and of using City inspection staff for quality control purposes have been eliminated and the volume of inspection requests per many project types have decreased. This has allowed the City to set the Building Permit fees (which are based on the average number of inspections necessary) at a lower level and still remain cost recovery. When the analysis of inspection demand for commercial/industrial projects is complete, staff will return to the City Council to recommend the expansion of the new fee methodology to these sectors.

It should be noted that development fees are 21.3% of the per-unit cost paid to the City in this example. Impact and capacity fees would account for 56.6%, and development taxes for 22.1% of the total amount paid to the City for a house under this scenario.

/s/
STEPHEN M. HAASE, DIRECTOR
Planning Building and Code Enforcement